

**IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA**

Solid State Equipment Corporation	:	
	:	Civil Action
Plaintiff,	:	
	:	No. 01-4423
v.	:	
	:	
Verteq, Inc.,	:	
	:	
Defendant.	:	

ORDER

AND NOW, this 26th day of January, 2003, upon consideration of (i) Plaintiff's Complaint for Declaratory Judgment; (ii) Defendant's Motion to Dismiss for Lack of Subject Matter Jurisdiction Under the Declaratory Judgment Act; (iii) Plaintiff's Memorandum of Law in Opposition to the Motion to Dismiss of Defendant Vertaq, Inc.; and (iv) the Reply Memorandum of Defendant Vertaq, Inc., in Support of its Motion to Dismiss for Lack of Subject Matter Jurisdiction under the Declaratory Judgment Act, IT IS HEREBY ORDERED and DECREED that Defendant's Motion to Dismiss Plaintiff's Complaint for Lack of Subject Matter Jurisdiction Under the Declaratory Judgment Act is GRANTED; Plaintiff's Complaint for Declaratory Judgment is DISMISSED; Plaintiff's prayer that the Court Enjoin Defendant Vertaq from filing a patent infringement suit against Plaintiff Solid State Equipment Corporation is DENIED.

Federal Rule of Civil Procedure 12(b)(1) provides that the defense of the court's lack of jurisdiction over the subject matter may be raised by motion. A motion to dismiss under Rule 12(b)(1) succeeds only where the right claimed by the plaintiff is "so insubstantial, implausible, foreclosed by prior decisions of this Court, or otherwise completely devoid of merit as not to

involve a federal controversy.” Growth Horizons v. Delaware County, 983 F.2d 1127, 1280 (3d Cir. 1993)(citing Kulick v. Pocono Downs Racing Association, 816 F.2d 895, 899 (3d Cir. 1987)). “The threshold to withstand a motion to dismiss under Fed. R. Civ. P. 12(b)(1) is . . . lower than that required to withstand a Rule 12(b)(6) motion.” Lunderstadt v. Colafella, 885 F.2d 66, 70 (3d Cir. 1989); Blank v. Exeter School District, 2002 U.S. Dist. Lexis 1990,1 at *4 (E.D. Pa.).

Where a question of fact underlies the resolution of the jurisdictional question, the “ trial court is free to weigh the evidence and satisfy itself as to the existence of its power to hear the case.” Robinson v. Dalton, 107 F.3d 1018, 1021 (3d Cir. 1997). This is so because the court’s essential power to hear the case is at issue. The plaintiff bears the burden of persuasion in establishing the court’s jurisdiction in a factual 12(b)(1) claim. Gould Electronics Inc. v. United States of America, 220 F.3d 169,178 (3d Cir. 2000).

The Declaratory Judgment Act provides that “in a case of actual controversy within its jurisdiction . . . any Court of the United States . . . may declare the rights and other legal relations of any interested party seeking declaration, whether or not such further relief is or could be sought.” 28 U.S.C. § 2201(a) (1994). The plaintiff must demonstrate that an “actual controversy” existed at the time it filed its complaint. Aetna Life Insurance Company v. Haworth, 300 U.S. 227, 239-41 (1937).

In patent infringement cases, the application of a two-part test determines whether an actual controversy exists such that the exercise of jurisdiction over a declaratory judgment claim is proper. First, the defendant patentee must create a *reasonable* apprehension on the part of the plaintiff that the defendant will initiate suit if the plaintiff continues the allegedly infringing

activity. BP Chemicals Ltd. v. Union Carbide Co., 4 F.3d 975, 978 (Fed. Cir. 1993). The genesis of this apprehension may be found in the explicit words or conduct of the defendant, or in the surrounding circumstances or history. Id. Second, the plaintiff must be either (1) engaged in an activity which could constitute infringement or (2) taking concrete steps towards infringing the patent with the intent to do so. Id.

The “actual controversy test” is objective. Therefore, the subjective belief or fear of the plaintiff is insufficient to satisfy the burden of establishing, by a preponderance of the evidence, that, based solely on the defendant’s conduct, the plaintiff had an objectively reasonable apprehension that it would be sued for infringement.

To determine whether an objective apprehension exists, courts first look for express charges of infringement and, if none exist, then to the “totality of the circumstances.” Shell Oil Co. v. Amoco Co., 970 F.2d 885 (Fed. Cir. 1992). Whether considering express charges or apprehension based on the totality of the circumstances, courts apply the two-part test to the facts existing at the time the complaint is filed.¹ Arrowhead v. Ecolchem, 846 F.2d 731, 736 (Fed. Cir. 1988). The purpose of this test is to determine whether there is a real and immediate need for judicial intervention. Aetna Life Ins. Co. v. Haworth, 300 U.S. 227, 238-41 (1937); BP Chemicals Ltd., 4 F.3d at 978 (discussing the purpose of the two-part test applied to declaratory judgment claims involving patent infringement).

To rise to the level of an express charge that satisfies the first prong of the actual

¹ For this reason, Plaintiff Solid State’s complaints that Defendant Verteq ceased all correspondence and communication upon the filing of the instant action in the United States District Court for the Eastern District of Pennsylvania are irrelevant. Plaintiff’s Memorandum of Law in Opposition to the Motion to Dismiss of Defendant Verteq, Inc., page 5.

controversy test, the defendant's conduct or words must clearly indicate its intent to enforce its patent. Arrowhead, 846 F.2d at 736 ("If defendant has expressly charged a current activity of the plaintiff as an infringement, there is clearly an actual controversy, certainty has rendered apprehension irrelevant, and one need say no more."). In the absence of express charges of patent infringement, the court must examine the surrounding circumstances to determine whether a reasonable apprehension of a law suit existed. See BP Chemicals Ltd., 4 F.3d at 979 ("Declaratory judgment jurisdiction does not require direct threats. Indirect threats or actions that place the declaratory plaintiff in reasonable apprehension of suit will meet the test for a declaratory judgment action.").

Plaintiff, Solid State Equipment Corporation (SSEC) and Defendant, Verteq, Inc. (Verteq) are manufacturers and suppliers of wafer cleaning applications and products for the semiconductor industry. Verteq holds U.S. Patent No. 4,804,007 (hereinafter "the 007 patent") on a particular cleaning system which uses megasonic energy. SSEC manufactures Trilennium 3301 (hereinafter "Trilennium"), a family of single-wafer cleaners and wet processors.

The factual issue underlying the jurisdictional dispute is principally framed by three letters exchanged between SSEC and Verteq on May 8, 21 and 24, 2001. Whether or not Verteq, through this correspondence and subsequent telephone calls to SSEC's counsel, threatened SSEC with a patent infringement suit, or created an objectively reasonable apprehension of such a lawsuit, is the factual issue in dispute.

The relevant exchange began with Verteq's letter to SSEC dated May 8, 2001 which states:

I am advised that your company is marketing a system for the wet

processing of semiconductor wafers under the name “Trilennium 3301,” which employs a transducer bonded to a quartz plate. Consequently, the above-mentioned patent may be applicable to that product, particularly Claim 11. If upon examination, you find that the patent is infringed by your product, we ask that you cease any manufacture, use or sale of such product. If, on the other hand, you feel that the patent is not applicable, please let us know your reasons for that so that we may amicably resolve this matter.

Complaint for Declaratory Judgment (“Complaint”), Exhibit B.

SSEC replied on May 21, 2001. SSEC’s letter advanced its view that the transducer assembly and the Trilennium 301 system are substantially different from the processes employed in the Verteq system. SSEC identified several differentiating characters of its product: the Trilennium 3301 process makes no use of any tank or container in the megasonic cleaning process, and is “unique because it optimizes the megasonic energy by applying the vibrations to the suface of the wafer through a layer of fluid directed to the surface of the wafer.” Complaint, Exhibit C. SSEC also requested that Verteq provide a copy of the ‘007 U.S. Patent prosecution file history in order that it might make a more comprehensive analysis of the claims.

On May 24, 2001, Verteq wrote the final letter at issue. Verteq wrote:

In sending Patent 4,804,007, I referred to Claim 11 because it, like the SSEC product, does not include a container. Thus, I would appreciate your further comment as to why you believe the claim is not applicable to the SSEC product.

Complaint, Exhibit D.

First apologizing in a letter dated June 21, 2001 for its delay in responding to Verteq’s request, SSEC eventually provided a comprehensive response to Verteq’s request on August 29, 2001. Defendant’s Motion to Dismiss for Lack of Subject Matter Jurisdiction, Exhibits 2 and 3. SSEC filed its complaint in this court on the same day.

The first issue before the Court is therefore whether SSEC has demonstrated sufficient evidence to support the conclusion that Verteq made an explicit threat or took other action which created a reasonable apprehension on the part of SSEC that it would face an infringement suit if it continued to market and sell the Trilennium 3301 series of products. SSEC has failed to meet its burden of establishing that the facts of record rise to the level of an actual case or controversy under the Declaratory Judgment Act.

Initially, SSEC has not alleged, and the record does not reveal, that Verteq explicitly threatened SSEC. The letters reveal a preliminary discussion between two commercial entities discussing patent rights. In its May 8, 2001, letter, Defendant Verteq explicitly stated that it wished to “amicably resolve this matter.” Complaint, Exhibit B. ²

Second, the totality of Verteq’s conduct, including statements and correspondence, do not amount to an implicit threat of litigation. In Shell Oil, 970 F.2d at 885, a declaratory judgment suit was dismissed due to lack of actual controversy despite the defendant’s repeated statements that the plaintiff’s product fell within its patent and its affirmation that it would assert its patent. The court categorized the language as mere “jawboning” typical in licensing negotiations. Id. The tone and content of the written correspondence in the instant case is substantially more

²In Arrowhead v. Ecolochem, 846 F.2d at 733, the Federal Circuit found that Ecolochem’s communications to Arrowhead did constitute express charges of infringement. For example, Ecolochem wrote to Arrowhead stating:

[Ecolochem] has reason to believe that Arrowhead is contemplating or has initiated the practice of the patented process" and demanding, within 20 days, a confirmation that any 'unauthorized' practice, 'if such practice exists' be 'immediately' discontinued. The letter concluded with a statement that Ecolochem 'has in the past not hesitated to protect its patent rights whenever appropriate.

Id. The instant correspondence is fundamentally distinct from Ecolochem’s communications.

subdued and less litigious than the communication in Shell Oil.³ In the present case, Verteq merely brought the existence of the patent to SSEC's attention and requested a review by SSEC as to whether its product fell within the patent; it may not be fairly stated that Verteq asserted that SSEC's product was covered by the patent. Additionally, in presenting this question, Verteq expressly sought an amicable, or commercial, resolution of the inquiry. Complaint, Exhibit B. These inquiries were objectively non-threatening in tone and content. This effort to resolve differences without litigation is appropriate within the competitive marketplace of American business. Thus, the totality of the circumstances present in the instant case are markedly distinct from the factual pattern presented in Arrowhead in which the Federal Circuit found that the defendant's conduct had created an objectively reasonable apprehension of suit.⁴ Id.

If SSEC were correct in its assertion that Verteq's action reasonably threatened a lawsuit, a patent holder would not be able to inquire about the possibility of patent infringement by another other party without subjecting itself to a suit under the Declaratory Judgment Act. The Declaratory Judgment Act applies to circumstances where "the patent owner attempts extra-

³In Shell Oil Company, 970 F.2d at 885, the language that the plaintiff interpreted as "threatening a lawsuit" was far more "express" than the language and tone of the two letters noted above. At issue was whether Shell's catalyst product infringed the Amoco patent. In Amoco's first letter to Shell it wrote: "it is our understanding from [sic] our previous discussion that *the catalyst falling within the Amoco patent* would be used in one plant in Europe and one non-Unipol plant in the U.S." Id. at 886. Shell contended that the language "falling within" constituted a threat of infringement. Id. This exchange was followed by telephone discussions and meetings between the parties about Shell's use of the catalyst. However, this subsequent communication after the first alleged threat did not lead to resolution. On the contrary, argued Shell, Amoco continued its threats of infringement in a letter which reflected that Amoco did not accept Shell's position that its proposed catalyst did not infringe Amoco's patent. Id. at 887. Finally, as the Federal Circuit noted, "when Shell specifically asked Amoco if it intended to enforce its patent, Amoco responded 'Yes.'" Id. at 888.

⁴The following circumstances were present in Arrowhead: threatening letters in which defendant expressed its intent to enforce its patent rights by litigation; a patent infringement suit brought by defendant against a company with which Arrowhead was to conduct business evidenced "not only an intent but a willingness and capacity to employ litigation in pursuit of its patent rights"; and defendant's submission to a federal court in its patent infringement suit that the court find plaintiff to be an infringer. Arrowhead, 846 F.2d at 737. All are absent from the instant case.

judicial enforcement with scare-the-customer-and-run tactics that infect the competitive environment of the business community with uncertainty and insecurity.” Arrowhead, 846 F.2d at 735. Since the instant case presents nothing more than “negotiation unaccompanied by threats of legal action, the setting is not sufficiently adverse to create a justiciable controversy.” EMC Corporation v. Norand Corporation, 89 F.3d 807 (Fed. Cir. 1993).

Moreover, this Court finds SSEC’s alleged apprehension of suit to be the product of subjective interpretation, and not objectively reasonable. BP Chemicals Ltd., 4 F.3d at 979 (affirming that a plaintiff’s subjective apprehension is insufficient without objective substance). The Court finds that SSEC’s arguments concerning Veriteq’s allegedly aggressive and urgent telephone calls, which prompted SSEC to check the “CHASER docket” to see whether Veriteq had filed suit before SSEC instituted its Declaratory Judgment suit, are legally insufficient. A plaintiff’s subjective apprehension of suit has clearly been rejected as insufficient to satisfy the burden of establishing that the plaintiff had an objectively apprehension that it would be sued for infringement such that the first prong of the “actual controversy” test is satisfied.

In addition, SSEC has not produced a history of patent litigation initiated by Veriteq against other competitors or by Veriteq against SSEC in regards to other products. Compare Arrowhead, 846 F.2d at 737.

Consequently, the Court holds that SSEC has not provided sufficient evidence of threat of suit by Veriteq to satisfy the first prong of the actual controversy test. Because the Court finds that the first part of the “actual controversy” test in the patent infringement context is not satisfied, a determination of whether SSEC engaged in activity which could constitute infringement or took concrete steps with the intent to conduct such activity is not necessary.

In conclusion, the Court finds that an actual controversy between SSEC and Veriteq did not exist such that the Court may properly exercise subject matter jurisdiction over this matter. The Court is not satisfied that an actual controversy exists that would warrant granting declaratory judgment under the Declaratory Judgment Act.

For the foregoing reasons, Defendant's Motion to Dismiss Plaintiff's Complaint for Lack of Subject Matter Jurisdiction is GRANTED; Plaintiff's Complaint for Declaratory Judgment is DISMISSED; Plaintiff's prayer that the Court enjoin Defendant Veriteq from filing a patent infringement suit against Plaintiff Solid State is DENIED. This is a FINAL JUDGMENT. The Clerk of Court is directed to statistically close this matter.

By the Court,

Davis, J.